



CITY OF NEWPORT BEACH

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City Council to Consider Contracting Out Residential Trash Service

NEWPORT BEACH, Ca. – At its September 10 meeting, the Newport Beach City Council will consider contracting out residential refuse collection service to potentially save more than \$17 million over the next seven years.

The City of Newport Beach (City) currently provides refuse collection service utilizing City-owned equipment and City employees. Since 2008, however, the City has carefully reviewed a number of its services to determine whether contracting with the private sector would result in cost savings while maintaining a high level of customer service. During this time, the City has reduced its workforce by 100 positions to help reduce salary and pension costs.

As the last city in Orange County to provide manual, municipal trash collection service, the possibility of contracting refuse collection service has been under consideration for at least two years.

“We’ve looked at this for a protracted period because refuse collection is an area where we provide excellent service and our residents appreciate it,” explained City Manager Dave Kiff. “However, when you become one of the few agencies left in the country that handles a service in-house, and it’s clear that the private sector can match or exceed the level of service provided, it makes good business sense to gather proposals and consider contracting out.”

The City’s municipal code prohibits charging residents – except for a couple of newly annexed areas such as Santa Ana Heights - for trash collection. Contracting the service to a private vendor would not change that.

The City retained HF&H Consultants (HF&H) to develop a Request for Proposals (RFP) and help evaluate the proposals received. HF&H provides solid waste consulting services to multiple municipalities in Los Angeles and Orange Counties and the City Council felt the firm’s expertise

was needed to thoroughly evaluate the proposals, accurately measure the City's costs, and to ensure that services are not diminished through this process.

The City issued the RFP in May and received seven proposals. Six proposals were received from private companies and one proposal was prepared by the City employees that currently provide refuse collection service.

The lowest bids received appear to result in savings or cost avoidance of about \$17 million over a seven-year contract term. Under the lowest cost proposal, residents would be able to receive and use as many free cans as they desire and could also choose the size of can they want to use. In addition, residents that want to separate their recyclables from their trash would be given the option to do so, also at no cost to residents.

Mayor Keith Curry said, "A cost savings of \$17 million over seven years – while providing the same or enhanced level of service - is a compelling reason to give this serious consideration."

At its September 10 meeting, City staff will ask the Council for permission to negotiate with up to two of the service providers that submitted proposals and to prepare and finalize a contract. The staff would later return to the City Council with the contract for its consideration and/or approval.

"Now that the City has actual proposals – side by side comparisons of service levels and costs – potentially saving more than \$2 million a year is a figure that's difficult to ignore," explained Kiff. "That's money we could be putting into neighborhood beautification projects, improved infrastructure, or new public spaces like parks and community centers. Ultimately, the Council will need to feel assured that the savings are real and the service provided to our residents will not be reduced."

A number of areas within Newport Beach already have private-sector trash collection service including Newport Coast, Newport Ridge, Crystal Cove, Belcourt, Bonita Canyon, Newport Ridge, the area west of Irvine Avenue near the Upper Bay, and east and west Santa Ana Heights. The results of the City's 2010 Customer Satisfaction Survey show that respondents in every part of the city – whether they had contracted trash or City-collected trash service – said that they were "very satisfied" with the service provided. There was no difference in customer satisfaction levels.

“If we move forward with the negotiations, our goal will be to preserve the same high level of service provided today while significantly reducing the City’s operations and maintenance costs,” Kiff added.

The RFP directed that the new companies interview and offer employment to qualified City staff members. In some cases, staff members would be able to retire with a pension and work for the new company. In all cases, City staff members who are vested today in the public pension system would get that pension when they reach retirement age, even if they are working with the new company.

The September 10 City Council meeting will begin at 7 p.m. in the City Council Chambers, 100 Civic Center Drive, Newport Beach, 92660. The City Council agenda and staff reports will be available after 4 p.m. on September 5 at www.newportbeachca.gov (choose the blue, “Agendas and Minutes” button on the right side of the City home page).